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TTIP: Challenges and Opportunities in the Area of Textiles and Labelling

In-Depth Analysis for the IMCO Committee

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DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY

THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP): CHALLENGES AND OPPORTUNITIES FOR THE INTERNAL MARKET AND CONSUMER PROTECTION IN THE AREA OF TEXTILES AND LABELLING

IN-DEPTH ANALYSIS

Abstract

The paper, produced by Policy Department A for the IMCO committee, analyses opportunities and challenges of TTIP for the EU in textile and clothing (T&C). This area differs from other industrial sectors in that average tariff levels are relatively high and a number of tariff peaks still exist. It would not be difficult to negotiate the complete phase out of all tariff barriers and obtain gains for consumers and firms. A more challenging task will be to tackle the existing high level of non-tariff barriers. To be able to exploit the potential gains from trade liberalization, the challenge for EU negotiators is to enter a regulatory co-operation game with the US while maintaining the high level of health and environment protection achieved in the EU.

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LIST OF ABBREVIATIONS

ASTM	American Society for Testing and Materials
CEN	European Committee for Standardisation
CETA	Comprehensive Trade and Economic Agreement
CoP	Code of Practice
CPA	Classification of Products by Activity
EC	European Commission
FTA	Free Trade Agreement
HTS	Harmonised Tariff Schedule
ISO	International Standardisation Organization
IWTO	International Wool Textile Organization
NTB	Non-Tariff Barriers
NTM	Non-Tariff Measures
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
T&C	Textile and Clothing
TTIP	Transatlantic Trade and Investment Partnership
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

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EXECUTIVE SUMMARY

Even if textile and clothing (T&C) is not the main sector of trade between the EU and the US, its relevance is non-negligible in EU-US exchanges, especially for the EU. The impact of the removal of trade barriers following the Transatlantic Trade and Investment Partnership (TTIP) will be felt across this mature industry mainly for two reasons. First, as in other traditional manufactures, tariff levels are relatively high and a number of tariff peaks still exist: both in the EU and the US, the average level of protection in the T&C sector is higher than the overall average protection applied to trade in manufacturing. Therefore, a visible final price reduction for textiles and apparel goods in both markets can result from the agreement.

Second, the industry's relevance is quite differentiated across EU Member States: exports of T&C from the EU to the US are highly concentrated in the four largest Member States (Italy's share alone is about 35%), with a heterogeneous composition of exports across EU countries, and different relevance of the US market. Imports from the US are slightly less concentrated, with a peak of 23% in the UK. But the concentration of final exports hides the underlying production structure of the industry, which is much more scattered across the EU. In fact, because of the diffusion of international production chains in this sector, between one fourth and one third of the value added content of EU members T&C export is non-domestic. These production chains are formed mostly within the EU, so that the EU value added in exports is higher than 80%. An easier reciprocal access to the US and EU markets could lead to some re-organization of the downstream segments of the industry.

Currently, EU exports to US face an average ad valorem tariff of 9.4%. High tariff peaks are still in place on specific products, such as items of apparel, man-made filaments and fibres and wool products. Protection is skewed toward the most relevant sectors for EU trade. In addition to ad-valorem tariffs, EU exports to US face specific tariffs, mainly concentrated in garments and woven fabrics, the most important exported T&C products for many EU countries. Finally, items of cotton entering the US are subject to an additional duty, the cotton fee. This specific barrier bears more heavily on woven fabrics and garments. Given the current structure of protection in the US market, the access to the American market for EU producers will be substantially improved by tariff removal. Tariffs on imported products in the EU are lower. In the EU, duties are higher in knitted garments and woven garments, in woven fabrics and home textile.

Also in this sector, nowadays most international trade restrictions arise from non-tariff measures (NTM). In many cases, such measures have a legitimate purpose (product safety, environmental protection, consumer information) and they should not discriminate against foreign firms. However, differences in such regulations across countries impose additional costs for exporters.

In the T&C sector most non-tariff barriers arise from differences in standards, differences in technical regulations and differences in - or unnecessary duplication of - conformity assessment.

Among these regulations, product labelling - a technical measure aimed at informing and protecting consumers - is especially relevant for T&C trade and it might become a technical barrier to trade when the required content of labels very different across markets. Today, mandatory labelling covers more information in the US than in the EU, where only fibre composition is regulated. Furthermore, compulsory and non-compulsory standards for labelling are different in the EU and US, and this generates costly administrative procedures when a good is traded. For example, for fibre composition labelling (mandatory in both countries), one important issue is related to the existence of two application procedures for

new fibre names, rather than a simultaneous recognition on both markets. The effect of such NTMs on final prices can be equivalent to that of a tariff, as producers tend to transfer these additional costs to prices.

For this reason, harmonization or mutual recognition of standards/technical regulations can facilitate international trade. Other trade agreements recently negotiated by the EU in fact include specific provisions on this type of NTM and suggest that mutual recognition is easier to achieve.

For care labelling (voluntary in the EU and mandatory in the US), TTIP negotiations should aim at a mutual recognition of standards. For country of origin labelling (voluntary in the EU and mandatory in the US), the negotiations should aim at a simplification of certain regulations related to the exact positioning of the label on the garment.

In relation to safety regulations and specifically for textile products flammability regulations, a science-based common classification of the degree of flammability of fabrics should be negotiated. Also linked to safety regulation is the list of chemicals that are prohibited or restricted in T&C products. Between EU and US regulations are different in terms of list of chemicals, in terms of maximum allowed levels and in terms of conformity assessment procedures. TTIP negotiations should aim to produce a common list of chemical, common maximum allowed levels and a simplification of compliance procedures. In this context, a challenge for the negotiations is to obtain these results without endangering the high level of health and environment protection achieved in the EU.

The EU industry also signals the costs arising by the utilization of the 10-digit US Harmonized Tariff Schedule. Such simplifications do not reduce consumers' protection or safety. In fact, simplification of the information provided to consumers could actually increase transparency and improve consumers' protection, while reducing costs for producers.

A complete phase out of trade barriers and a successful reduction in non-tariff barriers in T&C will generate big opportunities for consumers and firms. The additional opportunity arising from the reduction in non-tariff barriers is the possibility of setting common standards and regulations that could be adopted by the rest of the world. Since the EU and the US are regions with high standards, this implies that a successful TTIP will mean a race to the top for the rest of the world. The major challenge arising from the process of regulatory cooperation, as many stakeholders have noted with concern, is that the negotiations risk safety and health standards within the EU being reduced. If this happens, consumer protection will be reduced. However, the EU's proposed approach to regulatory cooperation states that the proposed regulatory cooperation body will have no rulemaking power and that the approach will be procedural and intended to promote, guide, monitor and help facilitate regulatory cooperation.

1. INTRODUCTION

TTIP is a deep integration negotiation with no comparison to the shallow integration approaches of the past (with the relevant exception of the EU's Single Market programme).

Tariff barriers to trade between the two sides of the Atlantic are on average quite low (2% in the US and 3% in the EU), but within the textile and clothing (T&C) sector there are some tariff peaks (see section 3). The aim of the negotiations is to completely phase out these tariffs.

Most international trade restrictions arise, however, from non-tariff measures (NTM). We follow Nicita and Gourdon (2013) in defining NTM as "policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both".

In 2013 the EU28 was the second largest world exporter of textile ($23 bn) and clothing ($31 bn) products after China. The US was the seventh largest exporter of textile and clothing ($13.9 and $5.9 bn, respectively). Overall, the EU28 was the largest world importer of textile (29 bn$) and clothing (95 bn$), while the US was the second largest importer (27 bn$ in textile and 91 bn$ in clothing) (Table 1).

These figures show the relevance of the two countries/regions on international textile and clothing (T&C) markets.

Table 1: EU and US Role in World Exports and Imports, 2013

	Textile Exports (bn $)	Textile %	Clothing Exports (bn $)	Clothing %	Textile Imports (bn $)	Textile %	Clothing Imports (bn $)	Clothing %
EU28	23	7.5	31	6.7	29	9	95	19.7
US	14	4.6	5.9	1.3	27	8.4	91	18.9

Note: For EU extra-EU Exports; % is on Total World Merchandise.

Source: WTO (2014)

These are also sectors marked by a strong international fragmentation of production and highly developed Global Value Chains. As a result, the role of trade barriers at the border and even more "behind the border" tends to be magnified.

A successful agreement on TTIP would be important not only from a traditional "gains from trade" point of view, but also in terms of the possibility of setting common standards and regulations that could be adopted by the rest of the world and facilitate the participation in Global Value Chains in these sectors.

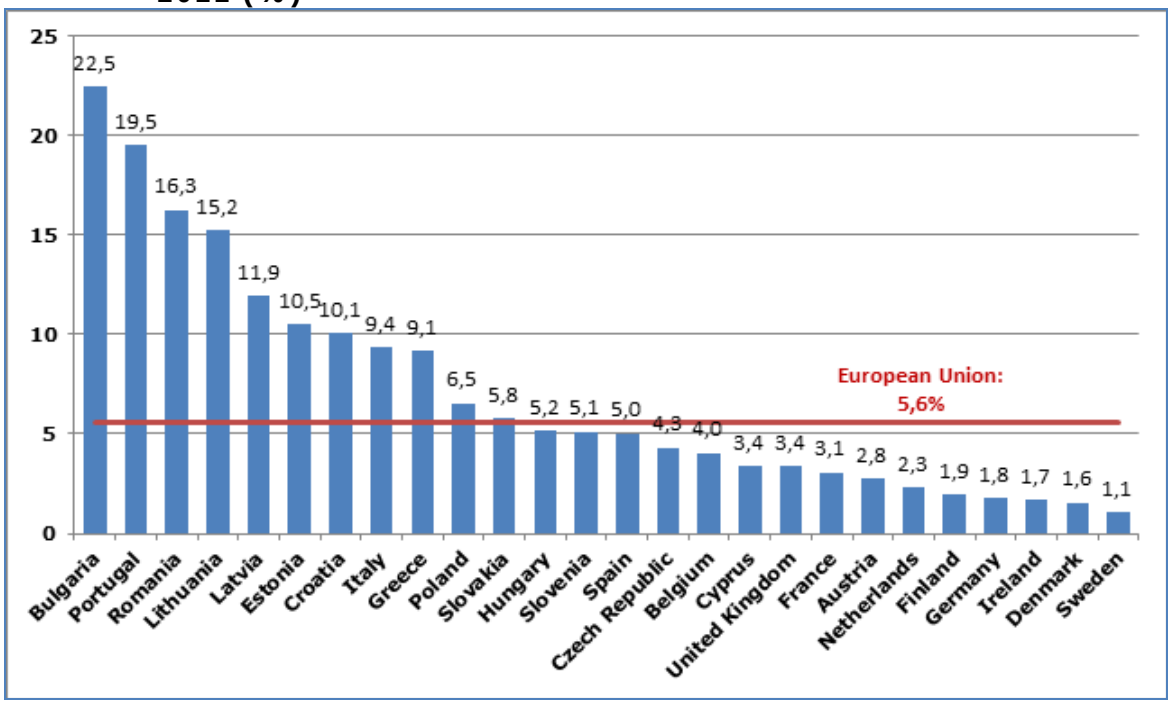
The outcome of the negotiations will impact on the economic welfare of many actors within the EU. The relevant stakeholders are: firms, consumers and governments. To emphasise the EU's main interests involved in these negotiations, in the next section, we provide a broad picture of the trade relationships with the US at the single Member State level.

This report is organised as follows. In the next section, the US is introduced as a trade partner for EU Member States in T&C. It is followed by an overview of the main achievements in recently concluded free trade agreements. The fourth section contains a detailed analysis of tariff barriers and a discussion of the relevant NTM existing between EU and US. The final section contains our conclusions.

2. OVERVIEW OF THE EU'S MAIN INTERESTS

The textile and clothing industry accounts for 5.6% of manufacturing employment in the European Union (Figure 1). However, in some Member States, relative importance of T&C on manufacturing is significantly higher. The countries for which the industry is relatively more important in terms of manufacturing total employment are some Eastern and Southern ones, such as Bulgaria (22%), Portugal (20%), Romania (16%), Lithuania (15%), Latvia (12%), Estonia (11%), Croatia (10%), Italy (9%) and Greece (9%).

Figure 1: Total employment in T&C as a share of manufacturing employment, 2011 (%)



Note: Total employment (number engaged) in 2011. For Belgium, data refers to 2012. Luxembourg and Malta are not included due to missing data.

Source: Structural Statistics of Industry and Services, OECD

The weight of textile exports in total country merchandise exports is similar in EU and US (in 2013, respectively, 1% and 0.9%). Clothing exports account for a larger share of EU merchandise exports than the US one (1.3% vs. 0.4%)(Table 2).

Table 2: T&C Trade on Total Country World Trade, 2013 (%)

	Textile Exports	Clothing Exports	Textile Imports	Clothing Imports
EU28	1	1.3	1.3	4.2
US	0.9	0.4	1.2	3.9

Note: For EU extra-EU Exports.

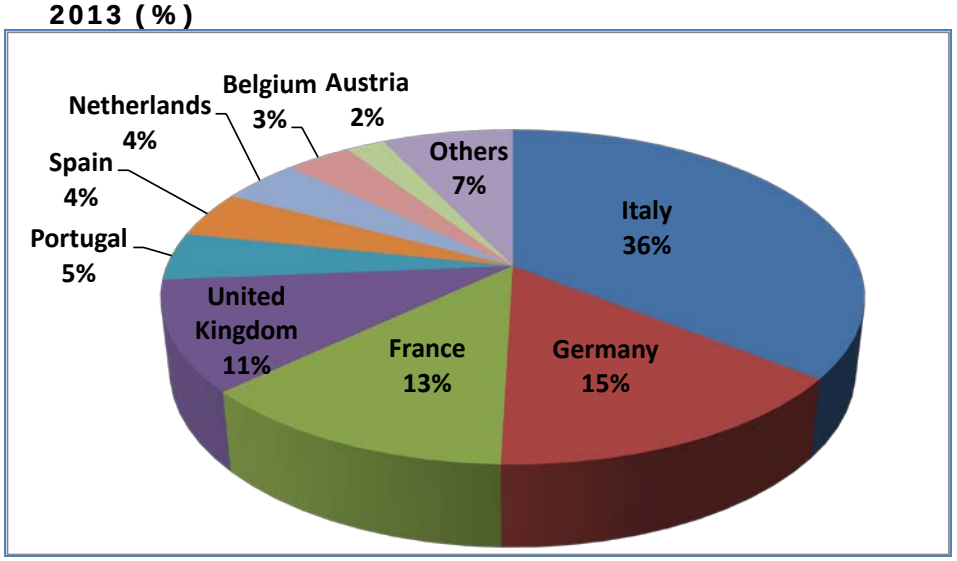
Source: WTO (2014)

On the import side, textile and clothing have a similar weight in total EU and US merchandise imports.

2.1. The Role of the US as a Trade Partner in T&C for EU Member States

Within the EU, Italy is by far the largest exporter, accounting for 35.6 per cent of total EU28 T&C exports to the US (Figure 2 and Table A.1). The weight of the other three largest countries in the Union (Germany, France and United Kingdom) on total EU is slightly above 10%. Altogether, these four countries cover approximatively two thirds of EU textile and clothing exports to US. The weight of the remaining countries is less than 5%.

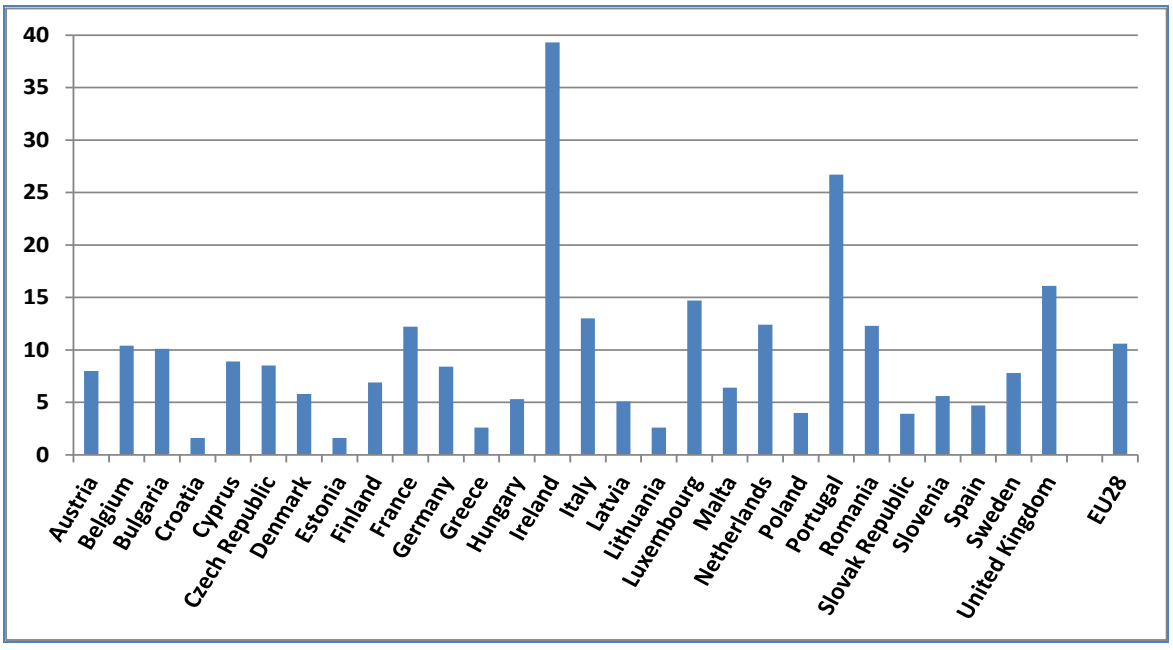
Figure 2: Contribution of EU Member States to Total EU Export in T&C to US, 2013 (%)



Source: Eurostat, COMEXT

The US market absorbed 10.6 per cent of EU T&C exports in 2013; the importance of the US as a destination country of EU products has reduced overtime, due to the emergence of new traders on international markets after the end of the Multifibre Agreement.

Figure 3: Relevance of US T&C Market for EU Member States T&C Exports, 2013
(T&C exports to US) / (T&C extra-EU28 Exports) (%)

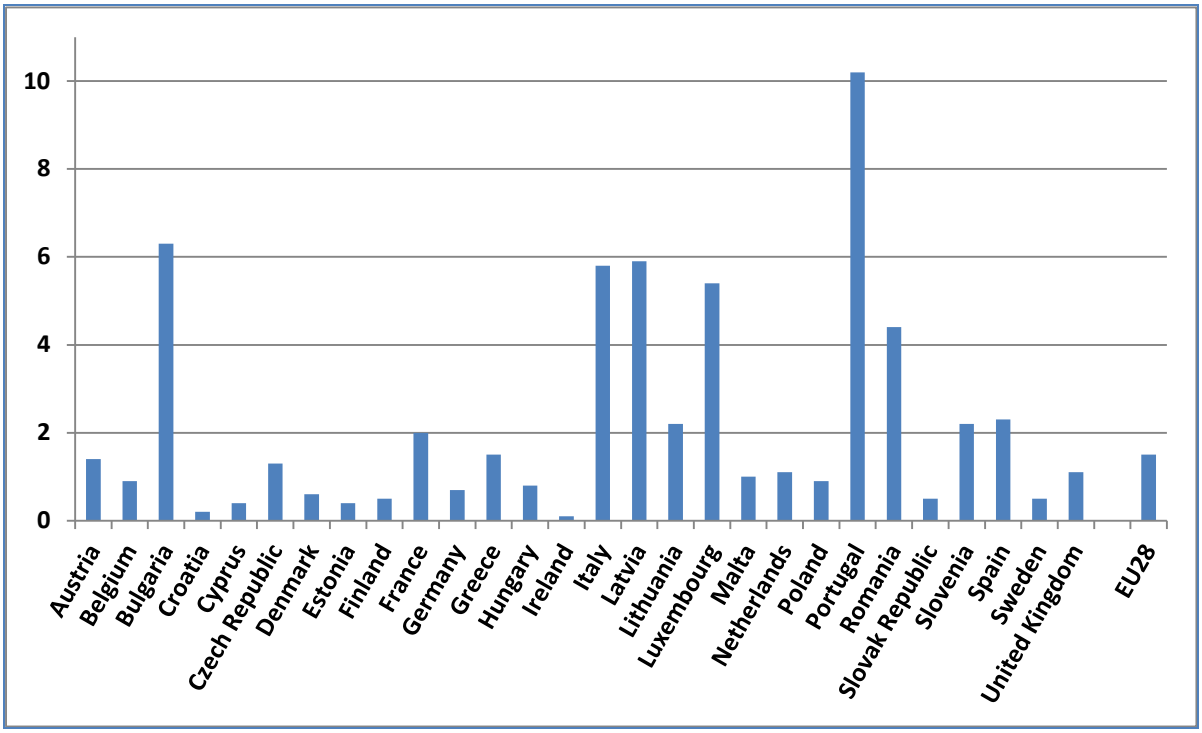


Source: Eurostat, COMEXT

The relevance of the US as an export market for T&C products is highly diversified among EU Member States (Figure 3). The US market is very relevant for Ireland (almost 40) and Portugal (26.7). Among the other major Member States, the US market has a lower, but still very significant, importance: United Kingdom (UK) (16.1), Italy (13), France (12.2) and Germany (8.4). For a group of smaller countries the US market has a similar significant relevance: Luxembourg (14.7), Romania (12.3), Netherlands (12.4), Belgium (10.4), Bulgaria (10.1), Cyprus (8.9), Czech Republic (8.5), Austria (8,0).

EU's T&C exports to the US are less important when compared to total EU merchandise export to the US. They account for only 1.5% of EU total exports to the US (Figure 4).

Figure 4: Relevance of the US T&C Market for EU Member States Total Exports to US, 2013
(Export of T&C to US/Total Export to US) (%)

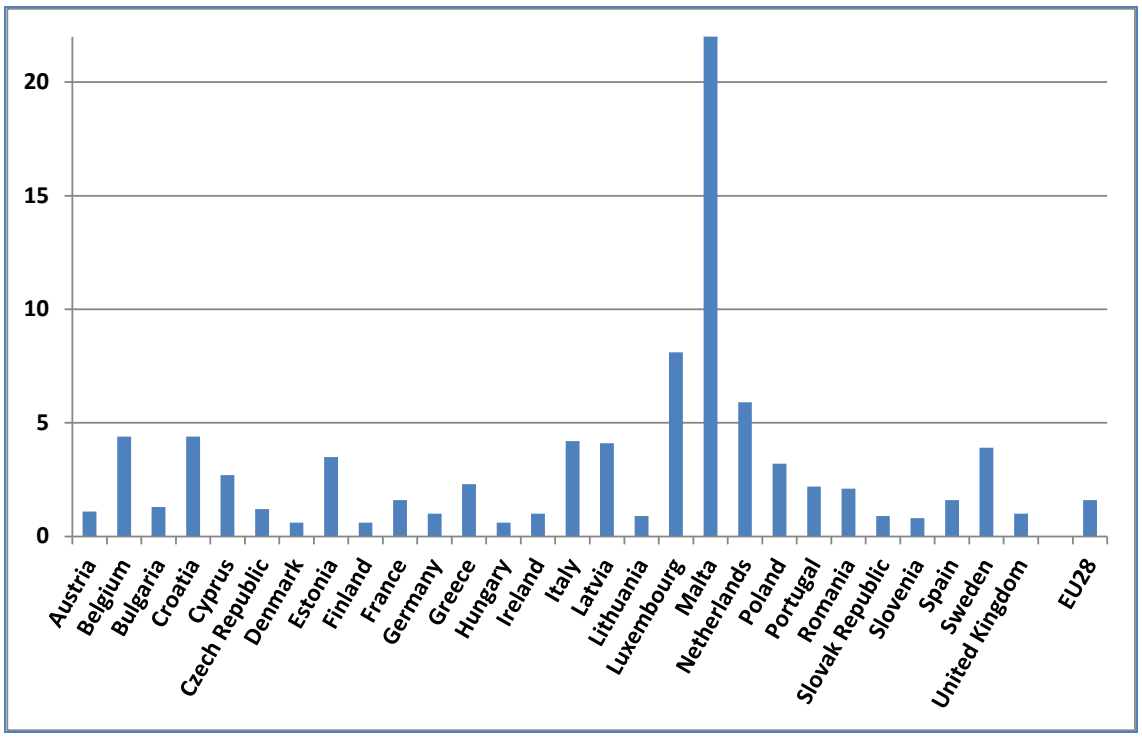


Source: Eurostat, COMEXT

However, for some Members the relevance of the US market is significant: Portugal (10.2), Bulgaria (6.3), Latvia (5.9), Italy (5.8), Luxembourg (5.4) and Romania (4.4).

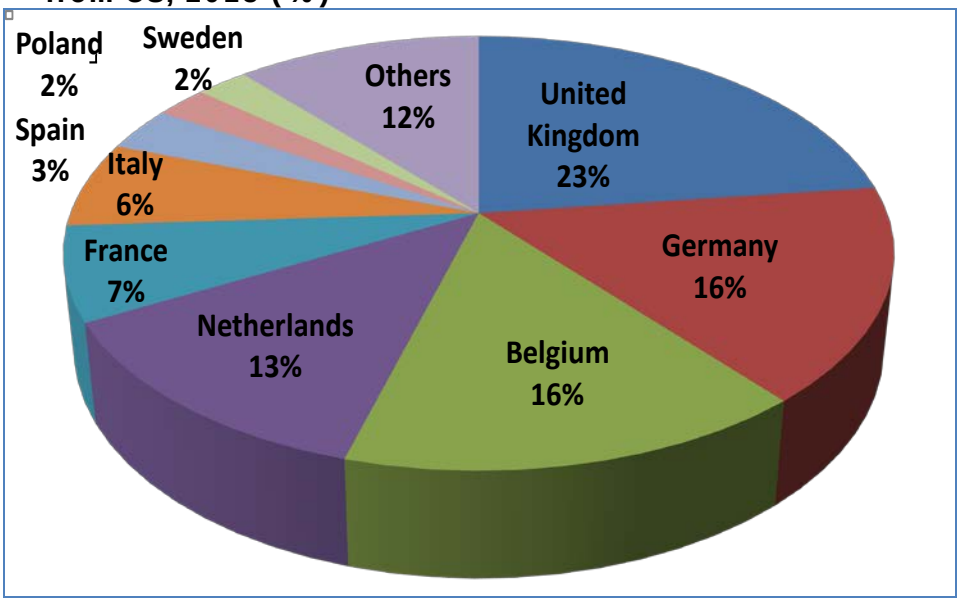
On the import side, US firms play a minor role, having a share of 1.6% on total extra-EU28 T&C imports (Figure 5). Only for Malta do US imports account for a large part of world T&C imports: 22.5%. Other countries where the US T&C imports play a relatively significant role are: Luxembourg (8.1), Netherlands (5.9), Belgium (4.4), Croatia (4.4), Italy (4.2), Latvia (4.1).

Figure 5: Relevance of T&C Imports from US on EU Member States T&C Imports From the World, 2013 (T&C Imports from US/T&C extra-EU28 Imports) (%)



Source: Eurostat, COMEXT

Figure 6: Contribution of EU Member States to Total EU Import in T&C from US, 2013 (%)



Source: Eurostat, COMEXT

Even if the US T&C imports in Europe are only a small part of EU T&C imports from the world, it is noteworthy to analyse the most important importers within the EU (Figure 6 and Table A.2). The UK (23) is the largest importer of T&C from the US, followed by Germany (15.9), Belgium (15.4), Netherlands (12.7), France (7) and Italy (6.4).

Table 3: Share of Domestic (Dom) and EU27 Value Added Embodied in Textile and Clothing Gross Exports, 2009 (%)

	Dom	EU27		Dom	EU27
Austria	61.8	85.8	**Italy**	85.1	91.8
Belgium	63.3	84.6	**Latvia**	69.7	87.0
Bulgaria	74.7	88.4	**Lithuania**	67.7	85.0
Croatia	na	na	**Luxembourg**	30.8	77.3
Cyprus	75.5	86.9	**Malta**	74.4	86.3
Czech Republic	56.3	84.8	**Netherlands**	63.2	80.8
Denmark	73.6	88.6	**Poland**	70.2	87.6
Estonia	65.2	81.2	**Portugal**	67.5	88.8
Finland	70.2	86.5	**Romania**	71.7	91.2
France	68.7	85.5	**Slovak Republic**	55.8	83.2
Germany	71.6	86.3	**Slovenia**	57.3	80.3
Greece	83.2	92.1	**Spain**	80.3	90.5
Hungary	61.0	88.0	**Sweden**	69.4	86.8
Ireland	60.8	77.2	**United Kingdom**	80.8	89.5
			US	**82**	

Note: Textile and Clothing Sector includes Leather and Footwear.

Source: OECD-WTO TiVA Database

As mentioned above, nowadays Global Value Chains play a major role in determining the international fragmentation of the production process. They are also extremely important in terms of the economic effects of trade policies. Table 3 presents some evidence on the existence of this international fragmentation in T&C for EU Member States. For some countries, more than eighty per cent of the value of T&C exports is made within the country: Italy (85.1), Greece (83.2), UK (80.8) and Spain (80.3). Taking into account also the additional part of valued added imported from EU Member States, these four countries reach a level of EU value added embodied in total T&C exports equal or higher than 90%. Repeating the exercise for the other EU members, in almost all cases the latter show a level of EU value added embodied in total T&C exports higher than 80%. This implies that most of the supply chain for T&C is located within the EU. Also for the US the share of domestic valued added embodied in T&C export is higher than eighty per cent.

2.2. Conclusions

Even if textile and clothing (T&C) is not the main sector of trade between the EU and the US, its relevance is non-negligible in EU-US exchanges, especially for the EU. The industry relevance is quite differentiated across EU Member States: exports of T&C from the EU to the US are highly concentrated in the four largest Member States (Italy's share alone is about 35%), with a heterogeneous composition of exports across EU countries, and different relevance of the US market. Imports from the US are slightly less concentrated, with a peak of 23% in UK. But the concentration of final exports hides the underlying production structure of the industry, much more scattered across the EU. In fact, because of the diffusion of international production chains in this sector, between one fourth and one third of the value added content of EU members T&C export is non-domestic (a notable exception, is Italy where more than 85% of the value of T&C exports is made within the country). These production chains are formed mostly within the EU, so that the EU value added in exports is higher than 80%. An easier reciprocal access to the US and EU markets could lead to some re-organization of the downstream segments of the industry.

Given this framework, the EU has a clear offensive interest in opening of the US market by negotiating the reduction tariff and non-tariff barriers. In fact, the picture emerging from previous sections shows that EU T&C exports have on average a better performance on international markets than the US. As a consequence, EU T&C exporters are on average very well positioned to gain market share in the US.

Similarly to all trade liberalization processes, there are also defensive interests. One is due to the fact that EU markets will also be less protected and US T&C exports to the EU will increase. This might generate losses for some EU firms. In the absence of market failures this event doesn't require any government intervention. A different and most important form of defensive interest refers to the consumer. Large parts of the expected trade liberalization will be due to the reduction in non-tariff barriers. As we will discuss in section 4, part of this reduction will be characterized by increased regulatory co-operation. In some cases this will involve negotiating on health and safety standards/regulations. The defensive interest for the EU consumer is that TTIP negotiations should not endanger the level of EU useful health and safety protection.

2.3. Implications of Recent FTAs on the EU T&C Sector

Recent trade agreements negotiated by the EU can provide insights on the treatment of the textiles and apparel sector.

The European Commission, starting from the Communication "Global Europe: Competing in the World" (COM(2006) 567) has proposed a new generation of bilateral trade agreements. In order to create open markets, the Commission recognizes that, beyond the traditional approach of tariff reductions, the removal of non-tariff barriers is increasingly important and the "effectiveness of competitiveness-driven FTAs depend in part on their capacity to tackle" (COM(2006) 567) these barriers.

One of the best examples of this new generation of preferential trade agreements signed by the EU is the **EU-Korea Free Trade Agreement (FTA)** entered into force on 1 July 2011. From the start of the negotiations, it was clear that, alongside tariffs, technical issues were the single most important barrier to international trade between the two areas: technical regulations, standards, conformity assessment procedures and similar requirements can be a considerable burden for exporters. In order to effectively improve reciprocal market access, these barriers had to be tackled. The EU-Korea FTA contains a number of general commitments on technical barriers to trade (TBT), including cooperation on standards and regulatory issues, transparency and marking/labelling, that go well beyond the obligations contained in the WTO Agreement on TBT. Moreover, this agreement is the first FTA negotiated by the EU including specific sectorial disciplines on NTBs.

Article 4.9 of the Agreement deals specifically with the marking and labelling issue. Requirements to mark or label products must be minimised as far as possible, and they should not be more trade restrictive than necessary to fulfil a legitimate objective.

Another key aspect for the T&C industry is rules of origin. It is in the (discriminatory) nature of an FTA that only products originating in one of the parties can benefit from the preferences granted under the Agreement: rules of origin are necessary to provide an exact definition of origin in this respect. These rules have become increasingly important in the presence of international production chains stretching over a number of countries, some of which might not belong to the same preferential trade agreement. The relevant provisions for trade between the EU and Korea are laid down in the Protocol on Rules of Origin.

The negotiations between the EU and South Korea led to simplified rules of origin compared to past Agreements; nonetheless in some sensitive sectors, including textile and clothing, fairly restrictive EU rules have been applied. In particular in T&C, the double transformation requirement is kept, with only few specific derogations.

The economic analyses of the potential impact of the FTA stress the relevance of NTBs and show that the higher the initial NTBs, the higher the impact of the FTA.

Studies undertaken during the negotiations (see, for example, CEPII/ATLASS, 2010) calculated the average tariff value equivalent of existing non-tariff barriers, showing that protection due to NTBs exceeds tariff protection to a large extent, especially in Korea. Moreover, the majority of manufactured products shows higher NTB levels in Korea than in the EU, especially textiles, leather-clothing, metals, machinery and above all cars and trucks as well as other transport equipment. This is mainly due to Korean standards as well as long and costly certification processes. The impact of these barriers is easily underestimated, but it can be anything but negligible: it was calculated that the initial NTBs applied by Korea was equivalent - for textiles - to a 51% tariff level. Standard and certification processes in the EU can also explain the significant average tariff value equivalent found in textiles, although some other explanations for the high barriers may be found for example in rules of origin.

Unsurprisingly, therefore, the sensitivity analysis undertaken in this study shows that NTBs play a crucial role when measuring the effects of the EU-Korea FTA. The general conclusion of the study is that both areas will increase their exports in the respective sectors of comparative advantage: the EU may improve its position in several industries (chemicals, machinery, other manufactured and food products) as well as in specific services to a lesser extent (business, insurance and transport services). On the other hand, Korea takes advantage of the agreement for specific manufactured products such as textiles, leather/clothing, cars and other transport equipment. It should also be noted that - even if to a lesser extent - the EU is also expected to increase its exports of textiles and clothing to Korea. The improved market access would increase intra-industry trade for these products (vertical product differentiation).

A second important agreement for the EU is the **Comprehensive Trade and Economic Agreement (CETA)** freshly negotiated with Canada. The negotiation process was completed last autumn, but the treaty still needs to be ratified. In any case, its innovative content received much consideration, also for being already seen as a “dress rehearsal” of what could be included in the TTIP.

While the tariffs mutually applied by the two countries are on average low, a relatively high level of ad-valorem tariffs are faced by some sectors, including textiles and clothing.

Aware of the relevance of non-tariff barriers and technical barriers to trade, even more in this case when compared with the very low tariff levels, negotiators paid much attention to these aspects and included a framework for regulatory cooperation. Article 7 in the chapter of the Treaty dealing with TBT, in line with what was agreed in previous negotiations, states that:

“In accordance with Article 2 of the TBT Agreement, with respect to technical regulations relating to labelling or marking requirements, the Parties shall ensure they are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, such labelling or marking requirements shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks that non-fulfilment would create” (EC, 2014b).

In CETA, the principle of mutual recognition will become the basic approach. In parallel, both entities will work jointly to develop joined regulations for new products and processes. The chapter on TBT contains provisions aimed at improving transparency and fostering closer contacts between the EU and Canada in the field of technical regulations. Both sides also agreed to further strengthen links and cooperation between their relevant standard setting bodies, as well as their testing, certification and accreditation organizations. A separate protocol will improve the recognition of conformity assessment between the parties. It provides for a mechanism by which EU certification bodies will be allowed according to the rules applicable in Canada to certify for the Canadian market according to local technical regulations and vice-versa.

The expected result is to reduce the cost of complying with technical regulations, standards and conformity assessment procedures (including marking and labelling provisions), so to facilitate trade and benefit industry.

Also in CETA, rules of origin are included to grant preferential access to EU and Canada originated goods. Both the horizontal and the product specific rules of origin are based - as much as possible - on the standard EU rules. However, for some agricultural/processed agricultural products, as well as for textiles, Canadian exporters would have had difficulties in meeting the more stringent European rules. A compromise in the form of rules of origin derogations for a limited and clearly identified range of product categories (exceptions for which a more relaxed rule applies) was necessary. In return, Canada agrees to follow the EU rules for such products when this derogation quantity is exceeded. In the case of textiles, derogations providing for more relaxed rules of origin were also granted by Canada to EU exports.

3. CHALLENGES AND OPPORTUNITIES WITH REGARD TO THE TTIP NEGOTIATIONS

3.1. Opportunities

3.1.1. Tariff Barriers on T&C in the US

The elimination of tariff barriers on both sides will significantly reduce trade costs for exporters and increase their price competitiveness. To assess the potential impact of the removal of tariffs, this section analyses the structure of the protection across products and the structure of the bilateral trade flows in T&C between EU and the US. Data on tariffs are reported according to two classifications. First, we show data on tariffs based on the Harmonized Tariff Schedule[1], which is used to report tariff lines at the product level; then, we organize information on duties according to the Classification of Products by Activity (CPA), which links products to the economic activity, and allows us to distinguish different stages of the value chain.

EU exports to the US face an average ad valorem tariff of around 9.4%; however some products are hit by significantly higher duties. Moreover, items of cotton entering the US are subject to an additional fee, the cotton fee, expressed as a specific duty, calculated in cents per kilogram.

US protection through tariffs is higher on those products that account for the largest shares on EU exports of T&C to the US. Table 4 shows data on ad-valorem tariffs by product type. The table also reports the composition of T&C EU exports to the US.

While tariffs are defined at a very refined level with a product disaggregation at 10 digits, here we aggregate the information at the 2-digit level of the HTS classification, to map the products on which the highest burden of tariffs is concentrated.

Observing the composition of T&C EU exports to the US, we can see that, on average, US protection is stronger on apparel and clothing accessories, which account for more than 50% of EU exports to the US in this industry.

The average ad-valorem duty applied varies significantly across the products. Tariffs are on average higher on apparel and clothing accessories, both knitted or crocheted (11.8%) and not knitted or crocheted (11.4%). The average duty is also relatively high on knitted or crocheted fabrics (10.1%), man-made staple fibres (10.8%) and man-made filaments (10.3%).

Beyond averages, to understand the degree of tariff protection, it is particularly important to analyse the percentage of duty free tariff lines and tariff peaks.

On average, 11% of the product lines in T&C, defined according to the 10 digit HTS classification, enters the US without any tariff; however, this percentage is lower, only 2.7% of the product lines, when considering apparel and clothing accessories, confirming that these are the most protected goods. Moreover, these products are also the ones with the highest tariff peaks: 31 items classified as knitted or crocheted apparel and clothing accessories are hit by a duty of 32%, while on apparel not knitted or crocheted a maximum duty of 28.6% is applied. Significant peaks of 25% are also levied on wool products, man-made filaments, and man-made staple fibres.

[1] The Harmonized Tariff Schedule of the United States is a 10-digit classification of traded goods developed by the US International Trade Commission. All import duties are reported according to this classification. The HTS is based on the Harmonized System, an international nomenclature for the classification of traded products based on the nature of the commodities.

Table 4: Composition of EU exports of T&C to the US by product and Ad-valorem Tariffs

	Export comp.	Ad valorem tariff		
Sectors (HTS 2-digit code)		**Min**	**Max**	**Average**
Silk	0.6	0	3.9	1.9
Wool, fine or coarse animal hair; horsehair yarn and woven fabric	2.2	0	25	5.9
Cotton	2.7	0	16.5	8.4
Other vegetable textile fibres	1.1	0	14.5	2.1
Man-made filaments; strip and the like of man-made textile materials	6.0	0	25	10.3
Man-made staple fibres	5.8	0	25	10.8
Wadding, felt and nonwovens; special yarns; twine, cordage, ropes, and cables and articles thereof	8.6	0	14.1	4.6
Carpets and other textile floor coverings	4.2	0	8	2.8
Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	1.9	0	20.2	6.8
Impregnated, coated, covered or laminated textile fabrics	7.1	0	14.1	3.1
Knitted or crocheted fabrics	1.8	7	18.5	10.1
Apparel and clothing accessories, knitted or crocheted	14.4	5.6	32	11.8
Apparel and clothing accessories, not knitted or crocheted	37.3	2.8	28.6	11.4
Other made up textile articles; sets; worn clothing and worn textile articles; rags.	6.3	0	20.9	7.5
Total	100	0	32	9.4

Source: Market Access Database; WITS; Comext

Finally, some products are protected by specific tariffs or a combination of ad-valorem and specific duties. Specific tariffs apply to some wool and cotton products, while the combination of both types of tariffs is particularly relevant for apparel and clothing, reinforcing protection. With a view to understanding the implications of tariffs imposed by the US on T&C imports, we classify the products according to the industrial activity producing them, using the Classification of Products by Activity (CPA). This alternative aggregation of goods reveals the production steps more intensely affected by tariff barriers. The analysis shows that US tariffs are on average higher on downstream activities of the value chain.

Table 5 reports the composition of EU exports of T&C to the US by sub-category according to the CPA classification and minimum, maximum and average tariffs applied. US ad valorem tariffs on imports hit more intensively woven and knitted garments, as well as knitted fabric. Moreover, we can observe significant tariff peaks on knitted garments (32%), woven garments (28.6%), woven fabrics (25%) but also on home textile (20.9%). More than half of the EU exports are apparel products (garments), while woven fabrics, especially of wool, represent 25% of total T&C exports to this country. Higher duties apply on those sub-categories of goods that are more relevant in EU exports to the US.

In Table 5 we have compared US tariffs with the composition of EU28 exports of T&C goods to the US. However, to better understand the diversified interests of single Member States in tariff liberalization in T&C, a closer look to countries' export composition is needed. While in general knitted and woven garments and woven fabric are the most relevant products in EU exports to the US, some countries reveal specific interest in other sub-categories of T&C goods.

Table 5: Composition of EU Exports of T&C to the US by category of Goods and Ad-valorem Tariffs

Sub-category	Export composition	Tariff		
		min	max	average
Natural Fibres	0.2	0.0	5.5	1.5
Man-made Fibres	3.5	0.0	7.5	5.0
Yarns and Threads	5.8	0.0	13.2	7.5
Woven Fabric	25.3	0.0	25.0	8.5
Knitted Fabric	1.8	0.0	18.5	10.1
Carpets	4.3	0.0	8.0	2.8
Home Textile	6.2	0.0	20.9	7.4
Knitted Garments	14.6	0.0	32.0	11.8
Woven Garments	37.8	0.0	28.6	11.4
Other textiles	0.4	0.0	13.2	4.2
Total	100	0.0	32.0	9.6

Source: Market Access Database; WITS; Comext

Table 6 illustrates the composition of T&C exports to the US for all the EU28 Members. Garments (knitted or woven), the goods hit by the higher burden in terms of tariffs, are the most important sub-categories in exports for Austria, Bulgaria, Croatia, Cyprus, France, Hungary, Ireland, Italy, Lithuania, Romania, Spain and the UK.

The third category according to the average tariff applied by the US is knitted fabric, which however seems to be marginal in EU exports. A reduction or a removal of tariffs on knitted garments may affect significantly only Malta, where 86% of T&C exports to the US are classified in this group.

Woven fabric, with a lower average duty but reporting a tariff peak of 25%, is relatively more relevant for Austria, Belgium, Czech Republic, Denmark, Finland, Greece, Ireland, Luxembourg, Netherlands, Poland, Slovenia and Sweden, which can gain more from the removal of protection on these goods. Another category of goods hit by a significant tariff peak is represented by home textile; this group of goods accounts on aggregate to a tiny fraction of EU28 exports to the US, however it is relevant for some countries, such as Czech Republic, as 47% of T&C exports to the US is accounted for by these goods, Estonia (91%) and Portugal (42.1%).

Moreover, specific duties are additionally applied to some items classified as woven and knitted garments and on woven fabric, increasing the degree of protection from imports of these goods. Specific tariffs are, finally, applied on some items classified as natural fibres; these goods however represents only a tiny fraction of EU exports (0.2%) on average, and a slightly larger share only for some countries such as Cyprus (5.6%), Czech Republic (4.1%) and Lithuania (5.7%).

Table 6: Export Composition of T&C to US of EU Countries by CPC sub-Categories A)

	Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Rep.	Denmark
Natural Fibres	0.0	0.6	0.0	0.0	5.6	4.1	0.0
Man-made Fibres	0.0	1.0	0.0	0.0	0.0	0.0	3.1
Yarns and Threads	1.9	3.6	3.3	1.8	0.0	0.2	0.7
Woven Fabric	22.4	48.6	0.6	16.9	8.8	36.1	35.8
Knitted Fabric	1.9	1.0	1.0	0.0	0.0	0.4	0.3
Carpets	0.7	29.1	10.7	0.9	0.0	7.6	9.0
Home Textile	3.3	3.7	0.8	4.4	2.9	47.0	26.0
Knitted Garments	35.1	3.5	71.6	26.3	27.3	1.3	11.7
Woven Garments	34.7	8.3	12.0	49.8	55.4	3.3	13.4
Other textiles	0.0	0.7	0.0	0.0	0.0	0.0	0.0

B)

	Estonia	Finland	France	Germany	Greece	Hungary	Ireland
Natural Fibres	0.0	0.0	0.3	0.2	0.0	0.2	0.1
Man-made Fibres	0.0	0.0	1.3	15.0	0.0	0.0	20.9
Yarns and Threads	3.0	0.0	1.7	10.1	4.0	15.2	0.2
Woven Fabric	1.3	66.6	20.6	43.8	67.0	22.9	30.1
Knitted Fabric	0.1	3.8	1.4	2.5	0.0	0.0	0.0
Carpets	0.0	0.7	1.0	2.0	12.0	3.1	4.5
Home Textile	91.0	11.7	3.3	5.0	3.6	2.8	5.1
Knitted Garments	0.4	6.7	11.5	6.2	6.3	28.9	30.0
Woven Garments	4.3	10.5	58.9	14.6	7.0	26.6	9.1
Other textiles	0.0	0.0	0.1	0.5	0.0	0.3	0.0

C)

	Italy	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Poland
Natural Fibres	0.1	0.0	5.7	0.0	0.0	0.1	0.0
Man-made Fibres	0.3	0.0	0.0	0.0	0.0	8.9	0.0
Yarns and Threads	3.7	79.8	7.5	0.0	0.0	28.3	2.5
Woven Fabric	16.8	0.1	15.4	96.9	0.0	28.0	44.4
Knitted Fabric	2.4	0.8	0.0	0.0	85.9	0.1	0.1
Carpets	0.5	0.0	0.1	0.0	0.0	23.8	9.0
Home Textile	3.9	2.2	7.9	0.9	0.6	3.0	11.9
Knitted Garments	19.3	12.7	33.9	0.7	7.7	2.2	11.2
Woven Garments	53.0	4.3	29.5	1.5	5.7	5.5	20.7
Other textiles	0.1	0.0	0.0	0.0	0.0	0.0	0.0

D)

	Portugal	Romania	Slovak Rep.	Slovenia	Spain	Sweden	UK
Natural Fibres	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Man-made Fibres	7.2	0.0	0.0	0.0	0.8	0.0	1.2
Yarns and Threads	2.4	10.5	36.5	33.1	2.3	0.7	6.9
Woven Fabric	14.8	5.6	17.4	48.0	17.4	38.6	26.7
Knitted Fabric	2.9	0.1	7.8	0.2	2.0	4.7	0.4
Carpets	5.7	0.0	0.0	0.0	4.0	9.2	6.7
Home Textile	42.1	4.3	2.0	0.4	2.0	10.9	3.3
Knitted Garments	15.1	13.5	14.4	17.4	23.0	9.5	15.4
Woven Garments	9.7	66.2	21.9	0.9	48.6	26.4	37.1
Other textiles	0.0	0.0	0.0	0.0	0.0	0.0	2.2

Source: Comext.

Impact of the cotton fee

An additional barrier affecting exports of T&C to the US is represented by a specific fee applied to items of cotton entering the country. The cotton fee applies to 60% of the 10-digit tariff lines and ranges from 0.0276 cents/kilogram to 1.606 cents/kilogram. This fee affects different stages of the production process and it has a relatively high impact on the products most relevant for EU exports to the US.

Table 7 shows the minimum, maximum and average value of the cotton fee in each sub-category of T&C products and the number of tariff lines at 10-digit level according to the HTS classification affected by the fee.

Table 7: Cotton Fee per sub-category in Textile and Clothing

	Cotton Fee			
Sub-Category	min	max	average	number
Natural Fibres	0.0	0.0	0.0	0
Man-made Fibres	0.0	0.0	0.0	0
Yarns and Threads	0.1	1.3	1.1	61
Woven Fabric	0.0	1.4	0.8	361
Knitted Fabric	0.1	1.4	0.5	60
Carpets	0.1	1.3	0.3	51
Home Textile	0.1	1.4	0.8	70
Knitted Garments	0.1	1.5	0.7	293
Woven Garments	0.0	1.6	0.7	482
Other textiles	0.0	0.2	0.1	2

Source: Market Access Database.

On average, the cotton fee falls more heavily on yarns and threads; these goods represent a significant share of exports to the US for a small number of EU countries, namely Latvia, where the category accounts for around 80% of exports, Netherlands and Slovak Republic. The highest values of the cotton fee apply to woven garments and knitted garments, thus affecting those goods that represent the highest shares of EU exports of T&C to the US.

Overall, the complete phase out of tariffs under TTIP negotiations will significantly reduce trade costs for EU exporters to the US market and increase their price competitiveness on that market.

4.1.2 NTM in T&C trade between EU and US

NTM include an extremely diverse set of policy measures: border measures (quotas, custom procedures etc.) and behind-the-border measures arising from domestic laws, regulations and practices. Such measures are not always introduced to discriminate against foreign firms. In many cases, such regulations have a legitimate purpose (product safety, environmental protection, consumer information). However, differences in such regulations across countries might, deliberately or not, impose additional costs to exporters.

Differently from tariffs, NTM are very difficult to measure. For this reason it is not possible to reproduce a set of tables for NTM similar to those of the previous section. As a consequence in this section the analysis will be more qualitative.

There is not a universally agreed upon taxonomy of NTM. Here we adopt the UNCTAD-MAST classification system (Nicita-Gourdon, 2013). NTM related to imports are divided into two large classes of regulations: Technical Measures and Non-Technical Measures (Table 8).

In the former group, TBT are particularly relevant for T&C products and contain measures related to labelling, environment protection, standards on technical specifications and quality requirements. Non-technical measures are divided into twelve additional groups containing, among others, measures related to licences, government procurement, intellectual property and rules of origin.
Some of these NTM provisions are already regulated by the WTO (for example, under the TBT and SPS Agreements).

Table 8: Classification of import related NTM

Technical measures	**Sanitary and phytosanitary measures (SPS);** **Technical barriers to trade (TBT);** **Pre-shipment inspection and other customs formalities**
Non-technical measures	Price control measures; Licenses, quotas, prohibition and other quantity control measures; Charges, taxes and other para-tariff measures; Finance measures; Anti-competitive measures; Trade-related investment measures; Distribution restrictions; Restrictions on post-sales services; Subsidies (excluding export subsidies); Government procurement restrictions; Intellectual property; Rules of origin.

Source: Nicita-Gourdon (2013)

ECORYS (2009) conducted a survey analysis on the level of restrictiveness of NTM between EU and US. The result is a "perceived non-tariff barriers (NTB) index" that varies between 0 (no obstacle created by NTM) and 100 (prohibitively high NTM). The perceived NTB index for the T&C and footwear sector is 35.6 for EU exports to US and 48.9 for US exports to EU. The EU market is perceived as slightly more protected than the US one in terms of NTM.

All empirical analyses conducted on the potential economic effects of TTIP highlight that most of the potential gains arising from the integration process between the EU and the US will arise from the reduction of barriers generated by NTM[2]. Unfortunately, no reliable result is available for the T&C sector. In T&C sector most non-tariff barriers arise from differences in standards, differences in technical regulations and differences in or unnecessary duplication of conformity assessment. For standards compliance is voluntary, while for technical regulation compliance is mandatory by law (for precise definitions see Pelkmans, 2015). A technical regulation or a standard "may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method" (Pelkmans, 2015). Differences in these market and/or regulatory frameworks generate costs for firms willing to supply both markets

In TTIP the most important areas of NTM negotiation for T&C are on labelling regulations/standards and on technical regulation and related conformity assessment procedures. The EC has approached the negotiations with the aim to improve substantially the regulatory co-operation with the US. This is done simultaneously at two levels: the horizontal level across sectors and at the single sector level. Only nine sectors have been identified for this second level and T&C is one of them (EC, 2015).

Labelling is usually introduced to inform consumers about attributes of products and/or of the production process. By making more information available to users, labelling can improve the functioning of markets (Sykes, 1995). This improvement comes at a cost: the costs incurred by firms to set up and manage the labelling system.

Within the EU, T&C products labelling is mandatory only for the fibre composition (Regulation No.1007/2011). Only textile fibre names listed in Annex 1 to the Regulation can be used in the label to describe the textile product composition. In the US, mandatory labelling covers a larger set of information: fibre composition, country of origin, care instructions, manufacturer/importer. The purpose of TTIP negotiations should not be to create a common system of labelling in the two countries. Rather negotiations should aim at creating a more coherent regulatory framework. For example, in the case of fibre names (the only common mandatory labelling between the two countries) both in the EU and in the US fibre names contained in the ISO 2076 standard are recognized. However, application for new fibres' name requires two different procedures; one at the European Commission for EU producers and another at the Federal Trade Commission for US producers. A possible outcome is that the same fibre may have two different generic names. A solution to this, supported by the EU industry (Euratex, 2014), is "to avoid long and costly administrative procedures" with new fibre names application being simultaneously handled and recognized on both EU and US market. If adopted, this approach would be in line with that adopted by EU and Canada with CETA. This outcome would be in the interest of the producers, but also of consumers that would not be confused anymore by the fact that the same fibre might have two different names (for example,

[2] See, for example, CEPR (2013), Fontagné et al. (2013), Felbermayr et al. (2013, 2014) and the review by Pelkmans et al. (2014).

elastane and spandex or rayon and viscose). This aim is also contained in the EU position paper on T&C (EC, 2014a).

In relation to care labelling (voluntary in the EU and mandatory in the US), different standards are used in the EU and the US. In the EU the most common one is the ISO standard 3758:2012, while in the US it is the ASTM standard. In case an agreement on a single standard universally accepted cannot be reached, TTIP negotiations should aim to a mutual recognition of standards (position supported by Euratex, a EU industry stakeholder, and adopted by the European Commission).

On country of origin labelling, an issue raised by the EU industry stakeholder (Euratex, 2014), refers to the US law requirement that in garments with neck the country of origin label should be positioned inside the neck in the centre and separately from the other mandatory information. This complicated regulation increases the cost for firms in exchange for more visible information for the consumer. Indeed, Euratex request - letting firms freely decide on label location - seems appropriate. Moreover, within the EU there has been a big debate on whether to introduce a country of origin mandatory labelling (the "made in" debate).

A specific case has been raised by Euratex on wool labelling in relation to the Super S labelling standard. It is a standard introduced in 2010 by the International Wool Textile Organization (IWTO) and included in their code of practice (CoP). It refers to a measuring system to define the fibre diameter of wool. This standard has been recently registered with the International Standardisation Organization (ISO) and with the European Committee for Standardisation (CEN). In the US there is a technical regulation which is not harmonized with the IWTO CoP. According to the latter, Super S numbers can only be used for pure new wool. The US regulation allows Super S for describing wool products containing non-wool fibres. These differences generate confusion amongst consumers about the quality of wool products. For this reason, the European wool industry request is to ask that during TTIP negotiations the US adopt in their wool regulation the internationally recognized IWTO CoP nomenclature.

On safety regulation, T&C products flammability has also raised a debate. The European Commission (EC) has adopted a very comprehensive and flexible position (EC, 2014a). The point is that in the EU there is no harmonized regulation on this issue and there is simply a general obligation for firms to sell safe products (based on the General Product Safety directive). In the US, T&C products should be tested when it comes to their flammability. In the case of children products, an authorized laboratory should carry out the test. For other products the manufacturer itself can perform the test. The EU position is to initially agree with the US on a common classification of the flammability degree of fabrics (with special attention to the controversial case of silk which is still considered by the US as more flammable than other fibres such as wool, for example). For children products the EU proposal is to accept the manufacturer's test results. In alternative, the number of EU laboratories authorised by the US to do the flammability test should increase. Under this scenario, it seems that there are no constraints on the US side, but for a number of sound eligibility criteria to be fulfilled by the applying laboratory. As a consequence, if the number of EU laboratories authorised by the US is considered insufficient, it will be up to the EU to introduce incentives that could increase the number of laboratories applying for authorization.

Also linked to safety regulation, is the list of chemicals that are prohibited or restricted in T&C products. Between EU and US regulations are different in terms of list of chemicals, in terms of maximum allowed levels and in terms of conformity assessment procedures. The EU position on this issue is in favour of negotiating a common list of chemical, common maximum allowed levels and a simplification of compliance procedures (EC 2014a). There

is a clear overlapping of issues with those dealt with in the context of negotiation for chemical sector. Overall, it is a very delicate matter, with many EU stakeholders raising fears about the possible negative effects of a TTIP Agreement on the implementation of existing EU regulations (especially REACH) and future legislative developments. The EC position is that during the negotiation the high level of health and environment protection achieved in the EU will not be endangered (EC, 2015).

In relation to the already mentioned conformity assessment procedures, in many cases in the EU and the US there are different test methods to demonstrate compliance with their own technical requirements. There are also different lists of accredited laboratories. These are trade barriers since costs to reach foreign markets are artificially raised. Approximation of these standards is included in the EC position (EC, 2014a).

According to the EU T&C manufacturers the 10 digits US Harmonized Tariff Schedule is so complicated that, to fill the custom requirements, EU firms use the services of custom brokers. In some cases, it seems that the costs of custom clearance can be up to 20% more on top of custom duties (Euratex, 2014). The TTIP negotiations should try to simplify all these border measures.

There is another set of NTM that raise the concerns of T&C EU industry stakeholders. In relation to public procurement, Euratex (2014) points the finger on the discriminatory treatment laid down by the Berry Amendment that "requires the Department of Defence to buy non-lethal equipment from US suppliers" (Woolcock, 2015). The elimination of these trade barriers would offer an opportunity to EU producers to expand their exports to the US.

3.1.2. Conclusions

Differently from many other manufacturing sectors, T&C trade flows between the EU and the US still face relatively high average tariff barriers, with very high peaks of ad valorem tariffs for certain products. Moreover, from this perspective, the US market is more protected than the EU one. As a consequence, complete tariff removal will open the opportunity of a better access to the large US market for EU producers. Also US T&C exports to EU are expected to increase. This will probably generate gains for consumers thanks to the increased competition and the consequent reduction in prices.

The same trade costs reducing effects will be experienced if the TTIP negotiations will succeed in reducing the existing non-tariff barriers between the EU and the US. If the harmonization or approximation in labelling regulations/standards and in technical regulation and related conformity assessment procedures will be successful, it will produce an expansion in trade flows between the two areas. Assuming the maintenance of the existing quality and safety standards, consumers on both sides of the Atlantic will gain. T&C producers will gain from increasing exports, but will face tougher competition on the domestic market. Given the stronger performance on international markets by EU exports compared to that of US, it should follow that also EU firms will be net gainer from reduction in NTM.

A successful agreement on TTIP would be important not only from a traditional "gains from trade" point of view, but also in terms of the possibility of setting common standards and regulations that could be adopted by the rest of the world. Since the EU and the US are region with high standards, this implies that a successful TTIP will imply, for the rest of the world, "a regulatory race to the top rather than a race to the bottom" (Pelkmans, 2015).

3.2. Challenges

One challenge for EU firms will arise from the reduction in tariff and non-tariff barriers that will increase competition on their domestic market due to the arrival of a larger amount of imports. In addition, this effect might be reinforced by the internationally fragmented value chain for most products in T&C. An easier reciprocal access to the US and EU markets could lead to some re-organization of the downstream segments of the industry. Compared to US protection of imports in T&C, tariffs on imported products imposed by the EU are lower. The maximum ad valorem tariff imposed by EU is 12%, compared to 32% in the US, and the average duty is around 8%, compared to 9.4% in the US.

Table 9 shows the minimum, maximum and average ad valorem tariff applied by the EU by product type according to the HTS classification as well as the composition of the EU28 imports of T&C products. As already observed for US protection, ad valorem tariffs tend to be higher for apparel products and clothing accessories in the EU as well. These products account for more than 30% of T&C imports from the US. The maximum tariff rate of 12% is applied on some products in apparel and clothing accessories as well as on special yarns, which account for more than 20% of EU imports from the US.

Table 9: Composition of EU Imports of T&C from the US by Product and EU Ad-valorem tariffs

	Import comp.	Ad valorem tariff		
Sectors (HTS 2-digit code)		Min	Max	Average
Silk	0.1	0.0	7.5	5.5
Wool, fine or coarse animal hair; horsehair yarn and woven fabric	0.3	0.0	8.0	3.7
Cotton	2.0	0.0	8.0	6.9
Other vegetable textile fibres	0.1	0.0	8.0	3.4
Man-made filaments; strip and the like of man-made textile materials	12.4	3.8	8.0	5.8
Man-made staple fibres	10.3	4.0	8.0	6.4
Wadding, felt and nonwovens; special yarns; twine, cordage, ropes, and cables and articles thereof	20.5	3.2	12.0	5.4
Carpets and other textile floor coverings	2.7	3.0	8.0	7.7
Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	1.4	5.0	8.0	7.2
Impregnated, coated, covered or laminated textile fabrics	10.9	4.0	8.0	6.5
Knitted or crocheted fabrics	1.5	6.5	8.0	8.0
Apparel and clothing accessories, knitted or crocheted	14.8	8.0	12.0	11.7
Apparel and clothing accessories, not knitted or crocheted	16.4	6.3	12.0	11.4
Other made up textile articles; sets; worn clothing and worn textile articles; rags.	6.6	0.0	12.0	10.3
Total	100	0.0	12.0	8.1

Source: TRAINS-WITS, Comext

As for the US, we classify the information by category of goods in the T&C industry. Again, even for the EU case, higher tariffs apply to the downstream activities in the value chain.

As shown in Table 10, aggregating products by activity, tariffs are higher on average in knitted garments and woven garments, which account for, respectively, 14.8% and 16.4% of T&C exports from the US. Moreover the average tariff is relatively high also on home textile products, which represent 6.6% of imports. The tariff peak of 12% applies to some products classified as knitted and woven garments, home textile and also woven fabric. At the same time, woven fabric is the most important category in imports from the US, accounting for 37% of imports.

Table 10: Composition of Eu Imports of T&C from the US by Category and Ad-valorem Tariffs

Sub-category	Import composition	Tariff		
		min	max	average
Natural Fibres	0.2	0.0	2.0	0.6
Man-made Fibres	9.3	4.0	4.0	4.0
Yarns and Threads	11.3	0.0	5.0	4.0
Woven Fabric	37.0	3.0	12.0	7.2
Knitted Fabric	1.5	6.5	8.0	8.0
Carpets	2.7	3.0	8.0	7.7
Home Textile	6.6	2.0	12.0	10.5
Knitted Garments	14.8	8.0	12.0	11.7
Woven Garments	16.4	6.3	12.0	11.4
Other textiles	0.2	4.0	5.3	4.9
Total	100	0.0	12.0	8.2

Source: TRAINS-WITS, Comext.

A traditional gains from trade argument applies here. EU consumers of these products will gain from a complete phase out of tariffs under TTIP. At the same time, EU firms producing these products will be challenged by the increase in competition arising from US imports.

Also for the EU, the most important barriers to international trade are non-tariff barriers. The presentation in section 4.1.2 has already discussed the picture of the most important non-tariff barriers between the EU and the US. As for tariffs, the removal of these barriers will challenge EU firms because of the increased competition.

However, one of the most important challenges is arising from regulatory cooperation. Many stakeholders within the EU have raised fears about the possible negative effects of a TTIP Agreement on the implementation of existing EU regulations and future legislative developments. They are worried that during the negotiations the safety and health standards within the EU would be reduced. It seems however that the EU negotiators are fully conscious of this potential outcome and state on all official documents that the high level of health and environment protection achieved in the EU will not be endangered. The EU has recently published its proposed approach to regulatory cooperation with the US (the Textual Proposal). It states that the proposed regulatory cooperation body will have no rulemaking power and that the approach will be procedural and intended to promote, guide, monitor and help facilitate regulatory cooperation (Pelkmans, 2015).

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ANNEX - ADDITIONAL TABLES

Table A.1: Contribution of EU Member States to Total EU Export in T&C to US, 2013 (%)

Austria	**2.1**	**Germany**	**14.8**	**Poland**	**0.7**
Belgium	3.6	**Greece**	0.3	**Portugal**	4.6
Bulgaria	0.4	**Hungary**	0.4	**Romania**	0.8
Croatia	0.0	**Ireland**	0.6	**Slovak Republic**	0.1
Cyprus	0.0	**Italy**	35.6	**Slovenia**	0.2
Czech Republic	0.8	**Latvia**	0.2	**Spain**	4.5
Denmark	0.7	**Lithuania**	0.3	**Sweden**	0.9
Estonia	0.0	**Luxembourg**	0.4	**United Kingdom**	10.6
Finland	0.4	**Malta**	0.0		
France	12.6	**Netherlands**	4.3	**EU28**	**100**

Source: Eurostat, COMEXT

Table A.2: Contribution of EU Member States to Total EU Import in T&C from US, 2013 (%)

Austria	**0.8**	**Germany**	**15.9**	**Poland**	**2.4**
Belgium	15.4	**Greece**	0.2	**Portugal**	0.5
Bulgaria	0.3	**Hungary**	0.6	**Romania**	0.3
Croatia	0.2	**Ireland**	1.5	**Slovak Republic**	0.3
Cyprus	0.1	**Italy**	6.4	**Slovenia**	0.4
Czech	1.5	**Latvia**	0.3	**Spain**	3.3
Denmark	0.9	**Lithuania**	1.4	**Sweden**	2.4
Estonia	0.3	**Luxembourg**	1.1	**United Kingdom**	23.0
Finland	0.6	**Malta**	0.1		
France	7.0	**Netherlands**	12.7	**EU28**	**100**

Source: Eurostat, COMEXT

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